

The Impact of COVID-19 on SMEs and Countermeasures

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Abstract: The COVID-19 outbreak from Wuhan in 2020 has dealt a major blow to the entire Chinese economy, especially to small and medium-sized enterprises. In this paper, the study found that the influence of new crown outbreak of small and medium-sized enterprises in the return to work and production, costs, capital chain rupture and other practical problems, further to the causes of these problems were studied, finally aiming at the problems of small and medium-sized enterprises under the new crown outbreak was put forward, from the Angle of enterprise itself should accelerate the pace of transformation and upgrading, Make use of digital tools for innovation, improve the operation mechanism of supply chain, improve the anti-risk ability of small and medium-sized enterprises, and introduce managerial and technical talents to optimize enterprise management. From the perspective of government policy, financial support should be strengthened to reduce the financial burden of small and medium-sized enterprises, and national development fund for small and medium-sized enterprises should be established to help small and medium-sized enterprises out of difficulties.

Keywords: Covid epidemic, Small and medium-sized enterprises, Resume work and production, Development countermeasures.

1. Introduction

1.1. Research Background and Significance

During the Spring Festival travel rush in 2020, the coronavirus spread rapidly from Wuhan across the country, and various Chinese cities were plunged into economic stagnation. At present, the global epidemic is still facing a severe situation, and this huge impact on the normal production and operation of small and medium-sized enterprises in China has caused a great impact. Small and medium-sized enterprises are an important pillar to promote the steady development of the national economy and the sustainable and healthy development of society. The survival and survival of small and medium-sized enterprises is crucial to stable economic growth, ensuring the integrity of the production system and stable employment. Although the domestic epidemic situation has been well controlled, the global epidemic situation is still in a tense situation. Judging from the current international situation, the epidemic is likely to persist for a long time. This will be a huge challenge for small and medium-sized enterprises. Therefore, how to quickly promote the resumption of work and production of small and medium-sized enterprises to tide over the difficulties and how to promote the long-term stable development of small and medium-sized enterprises under the normal state of the COVID-19 epidemic is one of the important tasks at present.

1.2. Research Status Quo

So far, there have been many studies on the development of small and medium-sized enterprises, and many scholars have put forward constructive opinions on the financing transformation of small and medium-sized enterprises. However, the studies on small and medium-sized enterprises under the epidemic situation have been put forward since the outbreak of the epidemic in 2020, which is relatively hot and of great significance of The Times. The current research on SMEs under the epidemic mainly focuses on the impact of the

outbreak of the epidemic on SMEs and the countermeasures for their future development. (Wu Zhongxiang, Zhang ping, 2020) suggested that the influence of new crown outbreak, constantly exposed the financial problem of small and medium-sized enterprises, small and medium-sized enterprise financial fragility and weak anti-risk ability of feature makes it face serious crisis, the small and medium-sized enterprises need relevant institutions of financial support, but because of the vulnerability of small and medium-sized enterprises makes it harder for them to get financial support. It mainly focuses on the shortage of cash flow, describes in detail the policy needs of enterprises during the epidemic period, and puts forward suggestions for the future development of enterprises from the perspective of commercial banks, enterprises and the government. (Huang Qinghua, Zhou Zhibo, Zhou Mi 2020) put forward policy suggestions for the strategic development direction of small and medium-sized enterprises in the short and long term. In the short term, we should continue to scientifically and rationally promote the resumption of production and work of enterprises and increase support for the financial industry. In the long run, fair and just international market management rules should be constantly improved, the overall international management level of the national industrial chain of small and medium-sized enterprises should be enhanced, and the core international competitiveness of small and medium-sized enterprises should be enhanced. (Yu Min, Yang Bo et al., 2020) believe that small and medium-sized enterprises should strengthen their risk management ability, especially the risk management of cash flow, pay attention to innovation ability and use digital tools for transformation and upgrading. The government can establish a special fund for small and medium-sized enterprises to ease the difficult and expensive financing situation of small and medium-sized enterprises, appropriately increase the funds of the labor union for employees' activities to help the recovery of small and medium-sized enterprises, constantly adjust and optimize the structure of government expenditure to aid the development of domestic small and medium-sized enterprises, and help

small and medium-sized enterprises tide over difficulties. (Xu Yude 2020) believes that small and medium-sized enterprises are an important force to promote national economic development and the foundation of social harmony and stability, which is of great significance to China's future development. In the context of the global outbreak and normalization of COVID-19, we need to focus on understanding the difficulties and challenges faced by small and medium-sized enterprises, grasp their current policy needs and development key, grasp the core issues, and take into account the overall plan. Gradually guide small and medium-sized enterprises into difficulties, and help the national economic recovery and development.

2. The Impact of COVID-19 on Small and Medium-sized Enterprises

2.1. Small and Medium-sized Enterprises Are Experiencing Difficulties in Operation Due to the Epidemic

Small business scale and weak anti-risk ability have always been the characteristics of small and medium-sized enterprises. Due to the impact of the COVID-19 epidemic, many cities have blocked roads and restricted the movement of people, resulting in the normal operation of a large number of small and medium-sized enterprises, capital flow difficulties. In addition, the future development trend of the COVID-19 pandemic is extremely uncertain, affected by this, small and medium-sized enterprise customer demand decreased, follow-up orders decreased significantly. Small and medium-sized enterprises cannot sell their finished products, no source of income makes the operation of small and medium-sized enterprises face the problem of lack of funds. According to the joint investigation report of Tsinghua University and Peking University, about 35.96% of the surveyed companies can only maintain the cash demand for one month, about one-third of the companies can maintain the cash demand for two months, 17.03% can maintain the cash demand for three months, and less than 10% of the companies can maintain the cash demand for six months. Nearly 70 per cent of companies have less than two months of cash on hand, meaning more than 80 per cent of small and medium-sized companies would not have cash on their books if the pandemic lasted longer than three months. Therefore, the current shortage of cash flow reserves has seriously affected the operation of small and medium-sized enterprises.

2.2. Hit by the Epidemic, The Revenue of Small and Medium-sized Enterprises Decreased

The report shows that nearly 30% of small and medium-sized enterprises estimate their annual operating income decline by more than 50%, nearly 30% of small and medium-sized enterprises expect annual operating income decline by 20% ~ 50%, a total of nearly 60% of small and medium-sized enterprises in 2020 expected operating income decline by more than 20%. A further 20 per cent could not judge the extent of their revenue decline. The impact of the epidemic on the operating income of small and medium-sized enterprises is mainly caused by the following four aspects: first, the decline in consumption level. After the outbreak of the novel coronavirus in Wuhan, the lockdown of the city hindered the further spread of the epidemic, restricted the

movement of people affected by the epidemic across the country, and also greatly hindered the consumption level of residents. Residents consumption level decline, directly caused a sharp drop in the level of market demand. This is a significant factor leading to the reduction of operating income of SMEs. Second, the reopening rate is very low. Compared with large enterprises in our country, small and medium-sized enterprises (SMEs) to return to work and production rate is low, according to figures released by the ministry of industry and information center report, March 2, 2020 resume work rate at about 45% of small and medium-sized enterprises in our country, most of the small and medium-sized enterprises still face difficulties. The biggest difficulties faced by small and medium-sized enterprises in resuming production are obstructed transportation, logistics and personnel, difficult product sales, overstocked inventory, insufficient supply of raw materials and insufficient supply of related supporting facilities. The low resumption rate of small and medium-sized enterprises leads to the inability of enterprises to produce products in time, and sales revenue without finished products naturally declines. Third, there are plenty of supply chain shortages. Small and medium-sized enterprises (SMEs) has been a key link in the whole manufacturing industry chain, but small and medium-sized enterprises of supply chain are rigid, when a link in a chain to be affected, especially in the upstream enterprises affected cannot supply the need of raw materials, equipment, spare parts, such as the middle and lower reaches of the enterprise because of excessive dependence on the industry chain will not be able to production and operation. Thus, problems such as insufficient production, raw material backlog and delayed delivery have further restricted the production and operation of small and medium-sized enterprises. Finally, affected by the outbreak of a new global champions league, the domestic downstream products export enterprise's main international purchase order market demand also temporarily in a state of stagnation, while foreign export enterprises the main downstream market demand of international purchase orders are also likely to transfer to Vietnam, Thailand, and other countries. Although the domestic epidemic is under stable control and international orders are recovering, the transaction process after the recovery may be relatively slow. In addition, the international epidemic is still out of control. Even if China fully recovers to its pre-epidemic status, the international orders of other countries will still be greatly affected by the epidemic. All these problems have led to a decline in the operating income of small and medium-sized enterprises.

2.3. Rising Costs for Small and Medium-sized Enterprises Due to the Pandemic

With the sudden arrival of the new coronavirus, the sales of SMEs are gradually declining, and some are even in a state of zero revenue growth. Companies need to pay staff salaries, as well as the cost of warehousing early products, which makes the cost of small and medium-sized enterprises significantly higher. The rising costs for SMEs due to the pandemic mainly come from four aspects. One is the cost of production is affected by the outbreak, raw material supply chain interruption, small and medium-sized enterprises have to find another way out at a higher price to buy raw materials or find alternatives. These are small and medium-sized enterprise to bring huge cost pressure. Second, logistics costs, mainly reflected in the transportation. Early widespread "seal city road" measures, in order to reduce turnover frequency, reduce

the risk of infection. Later, to carry out the artificial way of screening, greatly increase the transportation time. Third, the labor costs. Enterprises to cope with the impact of cash flow for personnel to take pay cuts, transferred, layoffs and other measures, on the one hand, which reduces the working efficiency of employees psychological panic, and increase the cost per unit; On the other hand is easy to cause disputes and produce new cost. In addition, due to the difficulties in resuming work and production, the harsh external environment, some staff asked for higher wages when resuming work, as well as the backlog of undelivered orders during the epidemic period, which required them to work overtime and pay more overtime fees. Therefore also will increase the labor costs of small and medium-sized enterprises. The fourth aspect is the warehouse cost, because the product can't sell in time, the accumulation of both the accumulation of raw materials and finished goods all need room for storage, and the rent will be increased, some products also need maintenance costs, this has increased the enterprise warehouse cost.

2.4. Supply Chain Disruptions Aggravate the Financing Difficulties of Small and Medium-sized Enterprises

New crown outbreak of a global outbreak of global supply chains are faced with the risk of interruption. At present, the global foreign trade market environment is volatile, and different countries have different outbreak degrees and control efforts, which has a huge impact on economic activities, especially foreign trade cooperation, transportation, labor mobility and so on. The real economy and the traditional manufacturing industry, especially the small and medium-sized enterprise internal supply chain structure uncertainty problems. China's market economy dependence on international trade makes the impact of the international foreign exchange market will directly affect China's export and import goods and international trade. Local problems may result in an industry or national economic paralysis, the security risks of the epidemic can spread around the world via the global supply chain system. With the rapid spread of the new champions league outbreak in China and the world, presents downtrend international demand that makes the export-oriented small and medium enterprises face a severe test. An enterprise in the supply chain is usually closely interactive connected, when a batch production or operation and management problems of small and medium-sized enterprises can directly affect the other small and medium-sized enterprises, lead to problems throughout the supply chain. Small businesses a significant problem in supply chain of goods production, purchasing, sales problems will emerge. Many small and medium-sized enterprises under the outbreak due to supply chain problems accumulated a large amount of raw materials and finished goods, small and medium-sized enterprises operating under pressure, solvency, and different regions at different levels to return to work and production of small and medium-sized enterprises (SMEs), upstream and downstream supply chain cohesion not unobstructed, further restricted the small and medium-sized enterprise production and operation of recovery. At Banks and other financial institutions and investors have an increased risk assessment of enterprises, Banks and other financial institutions and investors in the security investment fund, risk and profitability of multiple factors to consider will reduce the loan for small and medium-sized enterprises, which

contributed to the small and medium-sized enterprise financing difficult question.

3. Impact Mechanism of the Epidemic on SMEs

3.1. Incomplete Supply Chain Is Difficult to Cope with Sudden Changes of the Market

Supply chain integrity, should be included in a complete supply chain from raw materials procurement, product production to the sales terminal link, the supply chain also has a risk. In the era of economic globalization, the relevant enterprises in the supply chain is a whole, the typical features of small and medium-sized enterprise supply chain is not complete, the first is the insufficient information, small and medium enterprises by its scale, science and technology, such as information on the problems of supply chain, difficult to achieve information sharing, not real-time adjustments according to the reality. Most of the domestic small and medium-sized enterprises are based on independent production, and very few are connected with other related enterprises, and the upstream and downstream interaction is not strong. If there is a problem in one link of the supply chain and other links cannot receive information in time, the delay of information will lead to the waste of resources and the inability to grasp the time. From the perspective of industrial chain, most of the final connection points in China's industrial chain are provided by small and medium-sized enterprises. The economic difficulties faced by small and medium-sized enterprises will have a significant impact on the operation of the whole industrial chain, and then put more pressure on the operation of large enterprises after the resumption of work.[6 during the outbreak is very typical, some companies before the outbreak of too many products, product backlog.]Contrary to some enterprises, because of inadequate inventory to normal production, the supply chain problems caused by the information lag or dislocation, unable to cope with the market. Small and medium-sized enterprises in the supply chain have information lag and close to each other. In the face of the epidemic, when there is a shortage of raw materials and a backlog of finished products, they cannot communicate with other enterprises or markets that complement each other's supply and demand to ease difficulties., on the other hand, a large number of small and medium-sized enterprise's internal supply chain management system structure is relatively complex, often cannot be both upstream and downstream have several fixed internal strategic investment partners, once one of the strategic partnership between some unexpected problems, is very easy to lead directly to the enterprise internal supply chain faced the crisis of the fracture.

3.2. The Financing Capacity Can't Meet the Needs of Working Capital

We mentioned in the above, during the outbreak of small and medium-sized enterprises is faced with rising operating costs, and finished goods can't sell, funds recovery period is longer, and the limited reserves of cash flow problems, all of these make capital requirements of small and medium-sized enterprises face huge, so smooth and successful financing, has become a maintenance under the outbreak of small and medium-sized enterprise healthy and steady existence of the key factors. In the future, the cash flow of small and medium-sized enterprises may continue to face more severe market

challenges. For small and medium-sized enterprises, the epidemic has not only spread widely, but also lasted for a long time. When the epidemic suddenly comes, small and medium-sized enterprises may not be well prepared either psychologically or in terms of business strategy, and some of them may even have their cash flow completely broken and go bankrupt. SMEs are in urgent need of cash flow to solve their current problems. However, due to their small size, low corporate credit rating, large personnel fluctuations, and weak loan guarantees and collateral, the financing difficulties of SMEs have intensified during the pandemic. For banks and investment institutions, SMEs under the epidemic have higher risk coefficient, lower return on investment, more cautious in investment, and even some are not willing to lend to SMEs, which hinders the financing channels of SMEs to a large extent. The lack of financing ability makes small and medium-sized enterprises unable to solve the dilemma of cash flow shortage, can only choose to stop business or bankruptcy liquidation.

3.3. The Lack of High-quality Talents Is Difficult to Promote the Transformation and Upgrading of Enterprises

Talent is the most basic resource to promote the development of an enterprise and the basic factor to determine the direction of enterprise development. With the development of society and the progress of science and technology, talents play an increasingly important role in the development of enterprises. Enterprises hope to build their core competitiveness through digital transformation and upgrading. They not only need excellent talents to build a modern management system, but also need cutting-edge talents to carry out the research and development of key technologies. Small and medium-sized enterprise scale is relatively small, lack of prospects for development, enterprises and small and medium enterprises pay attention to short-term benefits, ignoring to employee motivation, arrives in the outbreak, some small and medium-sized enterprises are confronted with difficulty due to the development of itself, make the measures of redundancy pay cuts, employees of enterprises lack the sense of belonging and identity, are confronted with difficulty in enterprise or has a better chance of not hesitate choose job-hopping. In the face of events such as the COVID-19 epidemic, high-quality talent opinion leaders are especially needed to help enterprises grasp the overall situation in a timely manner, put forward constructive suggestions, and promote enterprise transformation and upgrading. In times of crisis, high-quality talents and opinion leaders can help enterprises see the situation clearly, grasp the direction, and win the development opportunities. However, the reality is that small and medium-sized enterprises often lack such talents. Therefore, for most small and medium-sized enterprises, the lack of high-quality talents has become a stubborn disease hindering the development of enterprises.

4. Countermeasures of Small and Medium-sized Enterprises

4.1. Establishing A Special National Rescue Fund for Small and Medium-sized Enterprises

From the current international situation, although the COVID-19 epidemic has been well controlled in China and

the domestic economy has gradually recovered, the trend of globalization of the epidemic is obvious and has become normal. Many times the preferential policy is not enough, a large number of small and medium-sized enterprises (SMEs) half a year or more than one year may not fully recover normal operation, so only the small and medium-sized enterprise own transition is difficult, even have a certain financing ability and debt paying ability of small and medium-sized enterprises, could also face long-term credit difficulty, must continue to perfect credit institutions package at this time. Local financial departments should give small and medium-sized enterprises a certain amount of investment or even issue a large number of national bonds, establish national and local small and medium-sized enterprise revitalization funds. The COVID-19 epidemic has a wide reach, far-reaching impact and long duration. It has a significant impact on the ecological environment of the whole industry and the whole industrial chain. It is difficult to solve the problem of saving only one company, and we should start from the perspective of the whole industry ecology. It is suggested that the government should set up a special rescue fund for small and medium-sized enterprises, which can make up for market failures and stimulate the vitality of small and medium-sized enterprises. Relying on the national special rescue fund, we will lead small and medium-sized enterprises to tide over difficulties together. From the perspective of industrial chain or business ecology, make full use of the financing resources of industrial chain and business ecological operators, design financial solutions at the level of industry or industry ecology, and drive more industry or sub-industry enterprises to resume operation.

4.2. Financial Support Should Be Increased to Reduce the Burden of Small and Medium-sized Enterprises

First of all, since the outbreak of the epidemic, the People's Bank of China, as the main body of monetary policy, should step up countercyclical adjustment in accordance with the principle of prudent monetary policy flexibility and moderation. The central bank should actively encourage commercial banks to increase lending to small and medium-sized enterprises, and make commercial banks make full use of preventive financial technology, comprehensively improve risk identification and risk management capabilities, and minimize the increase of non-performing loans. Banks should also provide special loans to small and medium-sized enterprises according to the current development situation of small and medium-sized enterprises as instructed by relevant national policies. Wholesale and retail trade, housing and food, logistics and transportation, cultural tourism and other industries heavily affected by the epidemic, as well as small and medium-sized enterprises with promising development prospects but temporary difficulties due to the epidemic, should not blindly cut off loans or squeeze loans. Companies severely affected by the pandemic can extend or renew their contracts if they struggle to repay due dates. We will support relevant enterprises to overcome the impact of the pandemic by appropriately lowering lending rates and increasing credit and medium - and long-term loans. According to the statistics, small and medium-sized enterprises have the largest demand for cost subsidies, accounting for 50.2%, and the demand for tax reduction and exemption accounts for 21.33%.The government should give full play to the role of the main body of fiscal policy, and use active fiscal policy to support small

and medium-sized enterprises to overcome difficulties. To reduce the burden of small and medium-sized enterprises, the government can reduce or reduce the cost of small and medium-sized enterprises to a certain extent, reduce or deduct taxes, appropriately reduce the tax burden of small and medium-sized enterprises, and formulate tax policies for special periods. We will extend tax payment, delay social insurance payment, increase government procurement and pay debts to enterprises in difficulties, so as to provide necessary support and guarantee for them to realize economic recovery and development as soon as possible.

4.3. Rational Use of Digital Tools to Drive Development Through Innovation

Today's era has become a new era of economic globalization driven by scientific and technological innovation. "Internet Plus" has become a distinctive feature of this era. During the pandemic, remote working, livestreaming and online shopping have become the new normal. Affected by the global epidemic, "Internet Plus" is bound to see new growth, and the impact of e-commerce on offline services is inevitable. This is both an opportunity and a challenge for SMEs. How to make use of digital tools to innovate mode and realize overtaking on corners is a problem that small and medium-sized enterprises should ponder. Small and medium-sized enterprises only by constantly learning to improve their business management knowledge, timely insight into new business tool, a new commercial market, the new trend of business policy can truly achieve the effective value and wealth appreciation again, can in all kinds of new social emergencies, seize the opportunity given by The Times development. From this epidemic, we can clearly see that in the future, the development of the whole Chinese economy and society will accelerate the transformation with digitalization as the main direction, and digitalization will become the basic system of the whole Chinese society. Survival of small and medium-sized enterprises want to achieve in the crisis or in the future for new development of more diversified, must speed up the digital transformation of the real economy, gradually I think in the outbreak, small and medium-sized enterprises can seize the moment to carry out the electronic commerce, effectively resolve the crisis.

4.4. Improve the Supply Chain Operation Mechanism to Improve the Ability to Resist Risks

In the long run, domestic small and medium-sized enterprises should see their own shortcomings from the epidemic and adjust their development strategies. In addition to the product itself, enterprises should also focus on crisis response and risk prevention. Emergencies are often unpredictable. For enterprises, the best way to deal with emergencies is to constantly improve the operation of supply chain and improve risk tolerance. First, companies can use big data and the Internet to build digital supply chains. The digital supply chain can strengthen the upper and lower connectivity of the supply chain of small and medium-sized enterprises. In the face of crisis, the information exchange between supply chains can change strategies more efficiently. Second should increase the flexible supply chain, the flexible supply chain is to point to in the face of the uncertain factors such as the external environment, the flexible supply chain's ability to respond to emergencies, increase flexible supply chain for enterprises from multiple angles, such as logistics supply can

be used in a railway, highway, aviation, ship the combination of a variety of ways, but it will no doubt increase the cost of enterprise, Therefore, small and medium-sized enterprises should consider the trade-off between risks, benefits and costs to find the best way. In terms of operations, enterprises can collect data through information systems and constantly improve operational measures to continuously improve the flexibility of supply chains. In short, only by rectifying and improving the supply chain of enterprises and optimizing the internal processes of enterprises can small and medium-sized enterprises survive and develop under the environment of normal epidemic.

4.5. Introduce Managerial and Technical Talents to Optimize the Management Process

In the long run, SMEs need to think deeply about how to optimize their talent structure, improve their adaptability, and acquire talents for sustainable development after the global public health emergency. The digital transformation, innovation-driven development and supply chain optimization of SMEs are all inseparable from high-quality management and technical talents. First of all, small and medium-sized enterprises in the recruitment should open the entrance, to strengthen the investment and development of human capital, absorbing the sides of the different types of talents especially technical and management personnel, help enterprise to optimize transformation and upgrading of small and medium-sized enterprises (SMEs) management process. Followed by small and medium-sized enterprises to establish and improve the staff incentive mechanism, strengthen sense of belonging to the enterprise and employee recognition, during the outbreak of layoffs pay although can alleviate the pressure of the enterprise's cash flow in the short term, but in the long run is bad for introducing talents and retain, so the small and medium-sized enterprises in both its own interests at the same time also should consider employees interests, strengthen the degree of attention to talents. Finally to special training to the employees of small and medium-sized enterprises, small and medium-sized enterprises can according to your own seek professional training of staff, cultivate a group of perfect fit with the enterprise talent, it is similar to help enterprises in the face of the new champions league epidemic emergency response and quiet in the digital line with the trend of The Times in the future.

5. The Conclusion

Small and medium-sized enterprises is very important position in the field of our society, although the present small and medium-sized enterprises face unprecedented difficulties, but the new crown outbreak is also an unprecedented opportunity for small and medium-sized enterprises, small and medium-sized enterprises should ponder their existing problems, and to change, to grasp the opportunity, make full use of various policy benefits for their own development, in the government, With the help and efforts of enterprises and all walks of life, small and medium-sized enterprises will be able to explore a better way out.

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